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**MEMORANDUM**

TO: Docket Control Center 2011 AUG -5 P 12:50

FROM: Steven M. Olea  
Director  
Utilities Division

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DATE: August 5, 2011

RE: ARIZONA WATER COMPANY AND GLOBAL WATER RESOURCES, LLC, CONSOLIDATED DOCKET FOR EXTENSIONS OF CERTIFICATES OF CONVENIENCE AND NECESSITY AND TRANSFER OF ASSETS (DOCKET NOS. W-01445A-06-0199; SW-03575A-05-0926; W-03576A-05-0926, SW-03575A-07-0300, W-03576A-07-0300, W-01445A-06-0200, SW-20445A-06-0200, W-20446A-06-0200, W-03576A-06-0200, SW-03575A-06-0200, WS-01775A-07-0485, SW-03575A-07-0485, W-02442A-07-0485, W-03576A-07-0485)

On May 11, 2011, the Administrative Law Judge issued a procedural order requiring Staff to file a pleading discussing Global Utilities' ("Global") request to transfer a portion of the Santa Cruz certificate of convenience and necessity ("CC&N") to Arizona Water Company ("Arizona Water"). The procedural order further requires Staff to identify its position regarding the parties' exceptions as well as their June 24, 2011 supplemental filings. This report contains Staff's response to the February 22, 2011 exceptions filed by both Global and Arizona Water as well as the June 24, 2011 supplemental filings made by both companies. Attached are six maps that Staff believes will help clarify the status of various parcels in this proceeding. Three maps highlight the areas requested by Global for water and wastewater and by Arizona Water for water, compared to the areas granted in the Recommended Opinion and Order ("ROO"). The second three maps show the same request and ROO information as the first three maps, but with the existing service territories added for comparison purposes.

**February 22, 2011 Arizona Water Company Exceptions**

This section provides Staff's response to Arizona Water Company's February 22, 2011 exceptions, as required by the May 11, 2011 procedural order.

***Section 1 –Discrepancies between the text of the ROO and the Exhibit F Map Concerning Certain Parcels***

1. Staff agrees that Parcel 4 (located in Section 5, T06S, R05E) on the Garfield Map (Exhibit WMG-14) should be included in Arizona Water's CC&N on Exhibit F of the proposed order.

Arizona Corporation Commission

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2. Staff agrees that, given the recommendation in the Recommended Opinion and Order ("ROO") to grant parcels B and E on the Garfield Map, the west half of section 26, T06S, R03E should be granted to Arizona Water.
3. Staff agrees that, given the recommendations in the ROO that Parcels 10, 11, 13, 16, 18, and a portion of B on the Garfield Map should be included in Arizona Water's CC&N, the remainder of Section 1 (T07S, R03E) not already in Parcel 16, should be granted to Arizona Water, as under the ROO, it would be surrounded by other areas granted to Arizona Water, and that the text of the ROO should reflect this.
4. Staff believes that Arizona Water's filing intends to reference the eastern half of section 9, T07S, R04E, as the western half of section 3 is Parcel 9 on the Garfield Map was recommended for inclusion in Arizona Water's CC&N by both Staff and Arizona Water and is included in the text of the ROO. Staff does not oppose inclusion of the eastern half of Section 3, as, based on the proposed ROO, it is surrounded on four sides by current or proposed Arizona Water service territory.
5. Staff supports granting the northern portion of Section 10 (which is Parcel 8 on the Garfield Map) of T07S, R04E, consistent with Staff's testimony. Regarding the portion of Section 10 which is not included in Parcel 8 of the Garfield Map, the southern portion of Section 10, Staff continues to oppose inclusion in Arizona Water's service territory. There are no requests for service and this portion of Section 10 is contiguous to other areas to the west that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
6. Consistent with its testimony, Staff continues to oppose inclusion of the southern portion of Section 8 of T07S, R04E, as there are no requests for service and this portion of Section 8 is contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
7. Consistent with its testimony, Staff continues to oppose inclusion of the eastern half of Section 19, T07S, R05E, as there are no requests for service and, even if Parcel D in the western part of this section is granted, the eastern portion of Section 19 is contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.

***Section 2, Absence of Testimony Support at the Hearing Regarding Transfer of Territory***

Staff did not present testimony regarding the proposed transfer of the southwest corner of Section 28, T06S, R03E, from Global Water to Arizona Water. Staff does not oppose the transfer of this parcel from Global Water to Arizona Water.

***Section 3, Additional Areas in Arizona Water Company's Recommended CCN***

1. Consistent with its testimony, Staff continues to oppose inclusion of T06S, R03E, Sections 10, 14, and 15, as there are no requests for service. Further, these sections are contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
2. Consistent with its testimony, Staff continues to oppose inclusion of T06S, R03E, Section 34, as there are no requests for service. Further, this section is contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
3. Consistent with its testimony, Staff continues to oppose inclusion of T06S, R03E, Sections 21 and the western portion of Section 22, as there are no requests for service. Further, these sections are contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
4. Consistent with its testimony, Staff continues to oppose inclusion of T07S, R04E, Sections 4, 9, and the western half of Section 10, as there are no requests for service. Further, these sections are contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
5. Consistent with its testimony, Staff continues to oppose inclusion of T07S, R04E, the south half of Section 15, as there are no requests for service. Further, this section is contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.
6. Consistent with its testimony, Staff continues to oppose inclusion of T07S, R04E, Section 25 and the southern portion of Section 24, as there are no requests for service. Further, this section is contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.

***Section 4, Areas Within the City of Casa Grande 208 Planning Area***

1. Given the City of Casa Grande's March 2, 2011 Letter (Exhibit C to Arizona Water's June 24, 2011 filing), Staff agrees that T07S, R05E, Section 13, Parcels 1, 2, and 3 on the Garfield Map should be included in Arizona Water's CC&N. However, Staff does not agree that the balance of Section 13 should be included, as there are not requests for service and this section is contiguous to other sections that Staff is not

recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.

2. Given the City of Casa Grande's March 2, 2011 Letter, Staff agrees that the parcels shown as A, B, and D on the Garfield map in T07S, R05E, should be included in Arizona Water's CC&N. However, Staff does not agree that the balance of Sections 15, 17, 20, 21, and 23 should be included, as there are not requests for service and these areas are contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future. Regarding the small slice of land in the southeastern corner of Section 16, Staff agrees that this land should be included in Arizona Water's CC&N if parcel A is added to Arizona Water's CC&N, as this sliver of land is surrounded by parcel A.
3. Consistent with its testimony, Staff continues to oppose inclusion of T07S, R05E, Sections 14 and 22, as there are no requests for service. Further, these sections are contiguous to other sections that Staff is not recommending be included in Arizona Water's service territory, thus suggesting the potential for another water company to serve the area in the future.

#### ***Section 5, The Settlement and Planning Areas***

Staff continues to oppose Commission approval of the planning areas and the settlement between Arizona Water and Global, consistent with Staff testimony. Staff supports findings in the ROO on these matters.

#### ***Section 6, "Guidelines" for Rejection of Extensions***

Staff continues to support consideration of CC&N extensions consistent with Staff's recommendations in the proceeding, recognizing that the individual circumstances in each potential CC&N extension proceeding before the Commission should be considered on the merits of each case.

#### ***Section 7, Compliance Item Related to Filing a Physical Availability Determination***

Staff agrees with Arizona Water's request in its exceptions to eliminate the requirement for filing a physical availability determination.

#### ***Section 8, Compliance Deadline Related to First Approval to Construct***

Arizona Water requests that the Approval to Construct date be extended to December 31, 2014, from the December 31, 2012 date contained in the ROO. Staff does not object to Arizona Water's request.



Staff did not identify any new issues raised in Arizona Water's June 24, 2011 filing, beyond those identified in Arizona Water's February 22, 2011 exceptions and discussed above.

***Other Staff Comments and Recommendations Regarding Arizona Water***

Global has stated in its February 22, 2011 exceptions that it does not wish to have a variety of areas added to its water and/or wastewater CC&Ns which were granted in the ROO, but do not have requests for service from Global. A number of parcels where Global is stating it does not wish to extend wastewater service also have requests for water service with Arizona Water in this proceeding. As noted below, Staff does not oppose Global's request that it not receive areas it has not requested, but are currently included in the ROO. However, if the end result is that these areas are not included in Global's CC&N for wastewater service, Staff recommends that these areas not be granted to Arizona Water, as these areas will then lack a wastewater request for service at this time. The following parcels are in this situation:

Township and Range	Sections/Parcel(s)
T06S, R03E	16, 27, and the parcel designated as E on the Garfield Map
T07S, R03E	2
T07S, R04E	32, 36, the part of Section 16 designated as B on the Garfield Map, the part of Section 15 designated at C on the Garfield Map, and the part of Section 24 designated as D on the Garfield Map
T07S, R05E	The parts of Sections 18 and 19 designated as D on the Garfield Map

**February 22, 2011 Global Water exceptions**

This section provides Staff's response to Global Water's February 22, 2011 exceptions, as required by the May 11, 2011 procedural order.

***Section 2, Areas Global Utilities Did Not Request and Does Not Want***

Staff does not oppose Global's request that parcels that it did not request or want should not be added to Global's CC&N, as proposed by the ROO, with the condition discussed above.

***Section 3, Areas that Global Requested But That are Not Included by the ROO***

1. Set of Four Northern Parcels (located in T04S, R03E) – Staff agrees with Global's request that the four northern parcels should be added to the Palo Verde CC&N and one of the parcels should be added to the Santa Cruz CC&N, consistent with Staff's direct testimony.
2. Southeast Service Area Parcels – Staff agrees that these parcels, comprising parts of Sections 1 and 12 of T06S, 04E, should be included in the Palo Verde CC&N for wastewater service. Consistent with Staff's direct testimony, Staff agrees with Global's

request. On Map One of Global's June 24, 2011 filing, the text box in the southeast corner of the map states "Include these parcels in Palo Verde ROO Recommended." For clarity, based on statements elsewhere, Global did not intend to mean that these two parcels were included in the ROO, but rather they were excluded and should be included.

3. Legends Area – Global's maps 6 and 7 to its June 24, 2011 filing show Francisco Grande Utilities Company ("Francisco Grande") having the same service territory for water and sewer service, when Francisco Grande's water and sewer service territories actually differ. Thus, while Staff generally agrees with Global's request to include the areas it references on maps 6 and 7 in its June 24, 2011 filing, there are several areas shown on Global's map 6 as being requested, but are already within Francisco Grande's wastewater service territory. Specifically, the portions of Sections 17 and 30 in T06S, R05E which Global is seeking to add to the Palo Verde CC&N for wastewater service are already in Francisco Grande's wastewater service CC&N. Therefore, for clarity, Staff recommends against adding these two parcels to the Palo Verde CC&N.

#### ***Section 4, Transfer of Territory to Arizona Water***

Staff did not present testimony regarding the proposed transfer of the southwest corner of Section 28, T06S, R03E, from Global Water to Arizona Water. Staff does not oppose the transfer of this parcel from Global Water to Arizona Water.

#### ***Section 5, Francisco Grande Utility Company***

As stated in Staff's March 7, 2011 filing in this proceeding, Staff believes that Global, as a co-applicant, has standing to request withdrawal of the application and Staff has no objection to Global's motion to withdraw.

#### ***Section 6, Planning Areas***

Staff continues to oppose Commission approval of the planning areas, consistent with Staff testimony. Staff supports findings in the ROO on this matter.

#### ***Section 7, Copper Mountain Ranch Community Facilities District***

Regarding the Copper Mountain Ranch Community Facilities District area, the district provides water service, but not wastewater service. Global has requested an expansion of the Palo Verde CC&N to provide wastewater service to a portion of this area, specifically portions of Sections 4 and 5 of T06S, R04E. Staff agrees that the Palo Verde CC&N should be extended to encompass these portions of Section 4 and 5.

***Section 8, Compliance Deadlines***

Global requests adjusted dates for three compliance items. Regarding the first request, to move the date for the Approval to Construct for "wells, mains, storage tank, and booster pump stations," Staff believes that the current date should be retained. Regarding the second request, to extend the date for modification of the Designation of Assured Water Supply to include the extension areas, Staff agrees with Global's request to extend the date to December 31, 2014. Regarding the third request, to move the date for the Approval to Construct for the first sewer mains, Staff recognizes the need to extend the date, and agrees with Global's request of December 31, 2014.

Staff did not identify any new issues raised in Global's June 24, 2011 filing, beyond those identified in Global's February 22, 2011 exceptions and discussed above.

***Other Staff Comments and Recommendations Regarding Global***

Regarding Section 8 of T06S, R04E, Global's Map 1 of its June 24, 2011 filing and past filings have shown that the parcels in the southeastern and southwestern corners of the section had requests for service for water and wastewater. However, Map 3 leaves these two areas blank. Staff believes that they should be shown on Map 3 as having requested water and wastewater service. Similarly, Map 3 does not show the parcels where service has been requested in T04S, R03E, and Staff believes they should be shown on Map 3.

Regarding Section 16 in T06S, R03E, Exhibit F of the ROO shows this area as being recommended for inclusion in the Palo Verde CC&N, but Map 3 leaves this area blank. It is unclear to Staff whether Global would desire to provide wastewater service or not to Section 16.

SMO:RGG:lhbm

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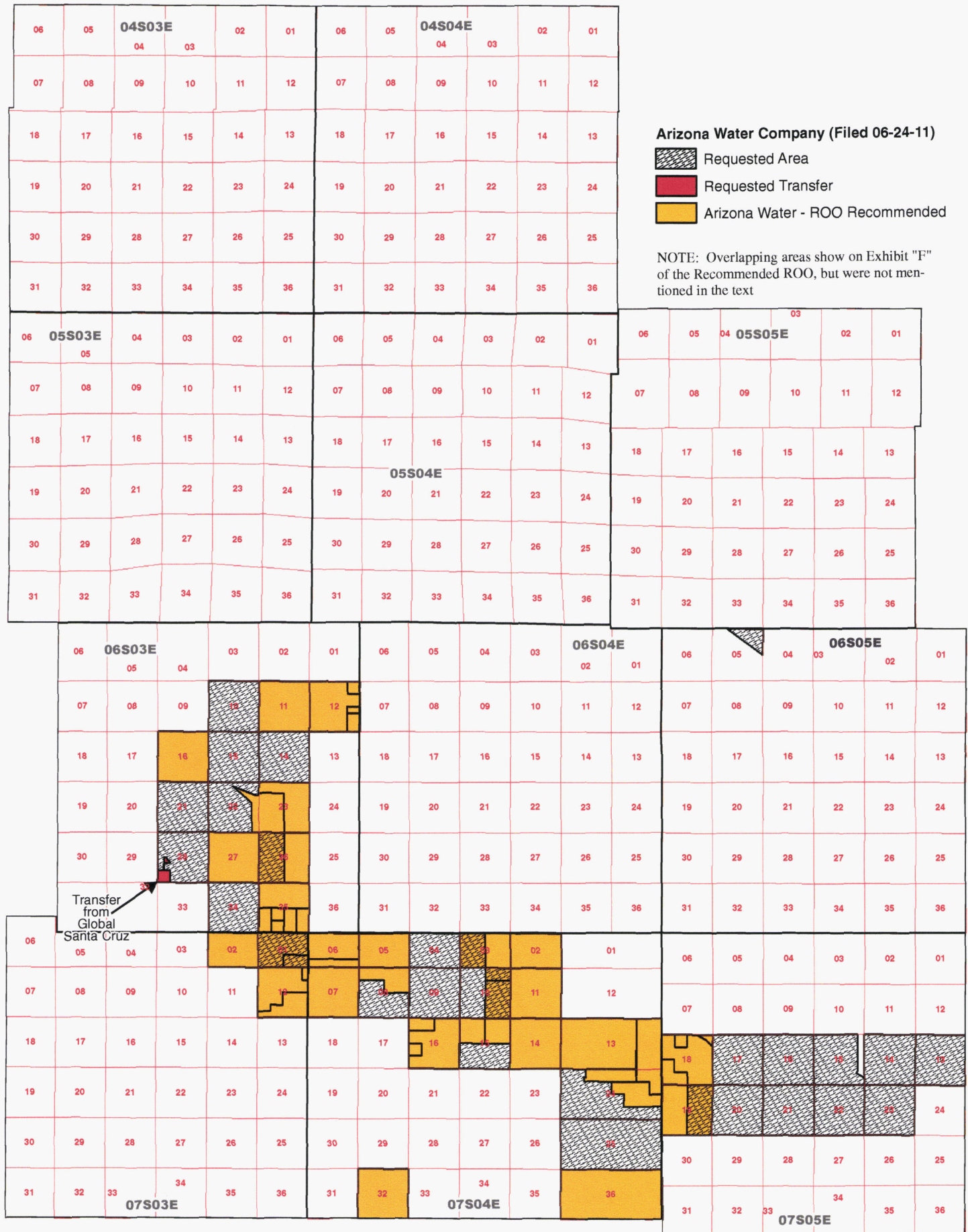
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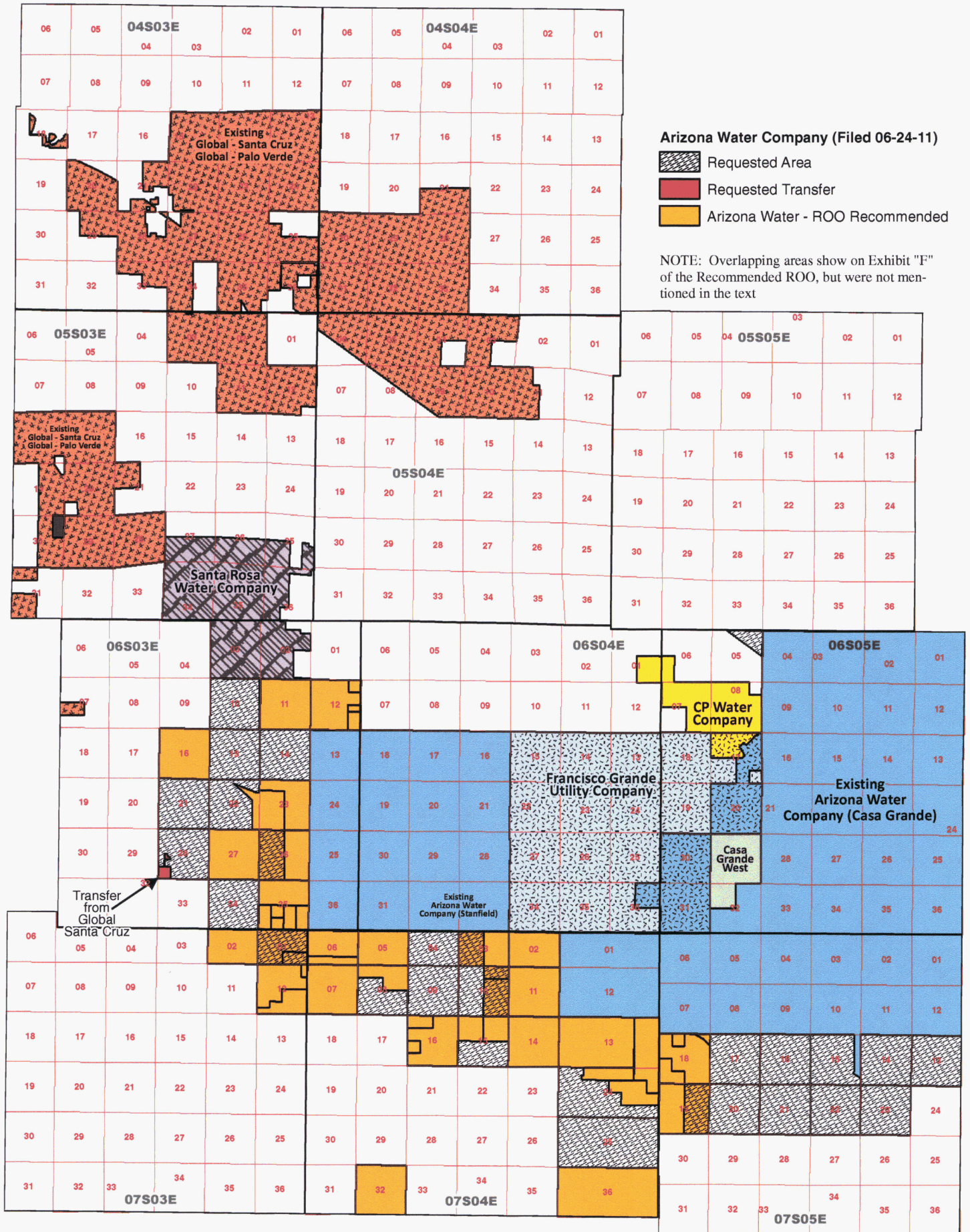
# CLARIFICATION OF ARIZONA WATER REQUESTED AREA



**ROO RECOMMENDED AND COMPANY REQUESTED**



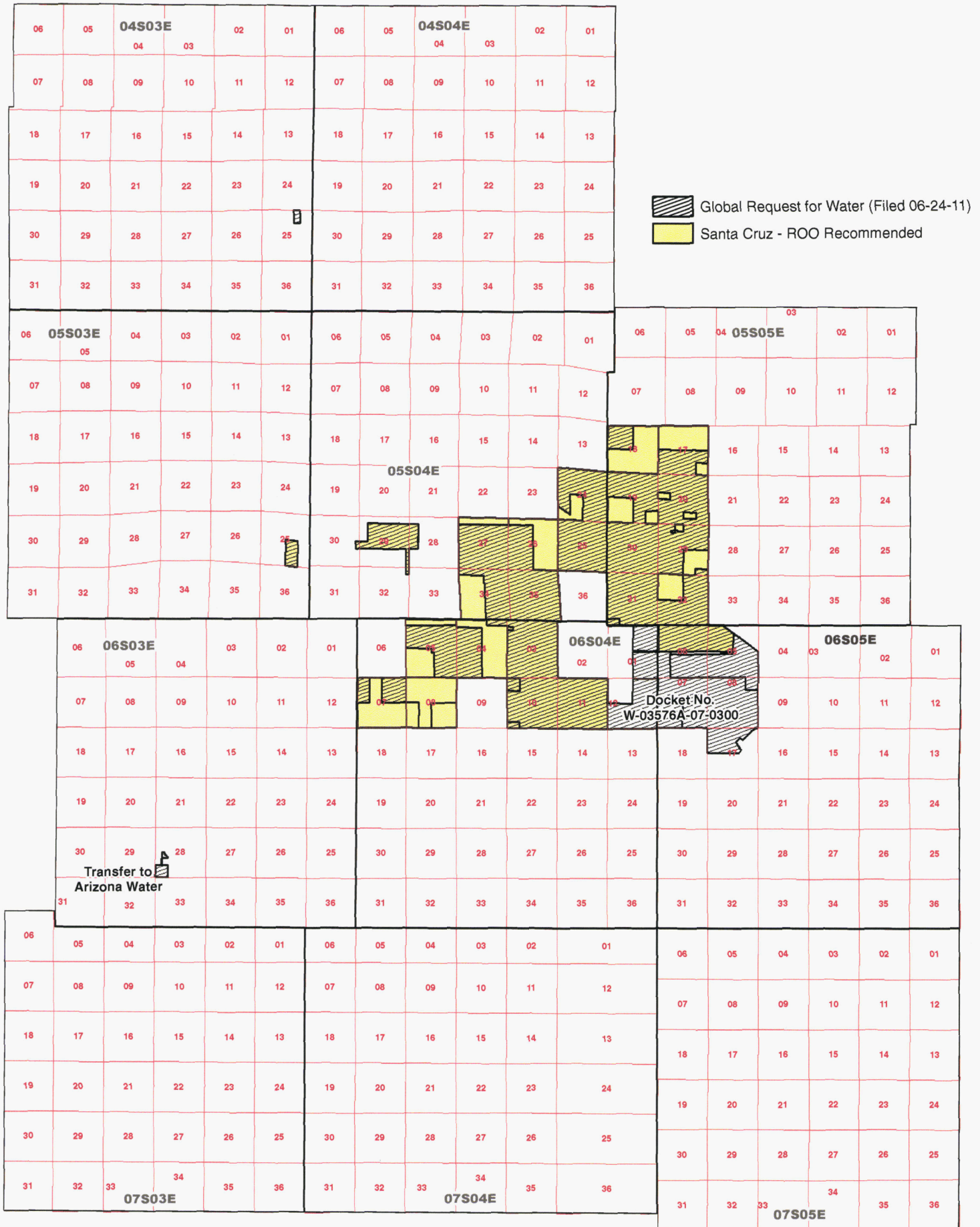
# CLARIFICATION OF ARIZONA WATER REQUESTED AREA



ROO RECOMMENDED AND COMPANY REQUESTED



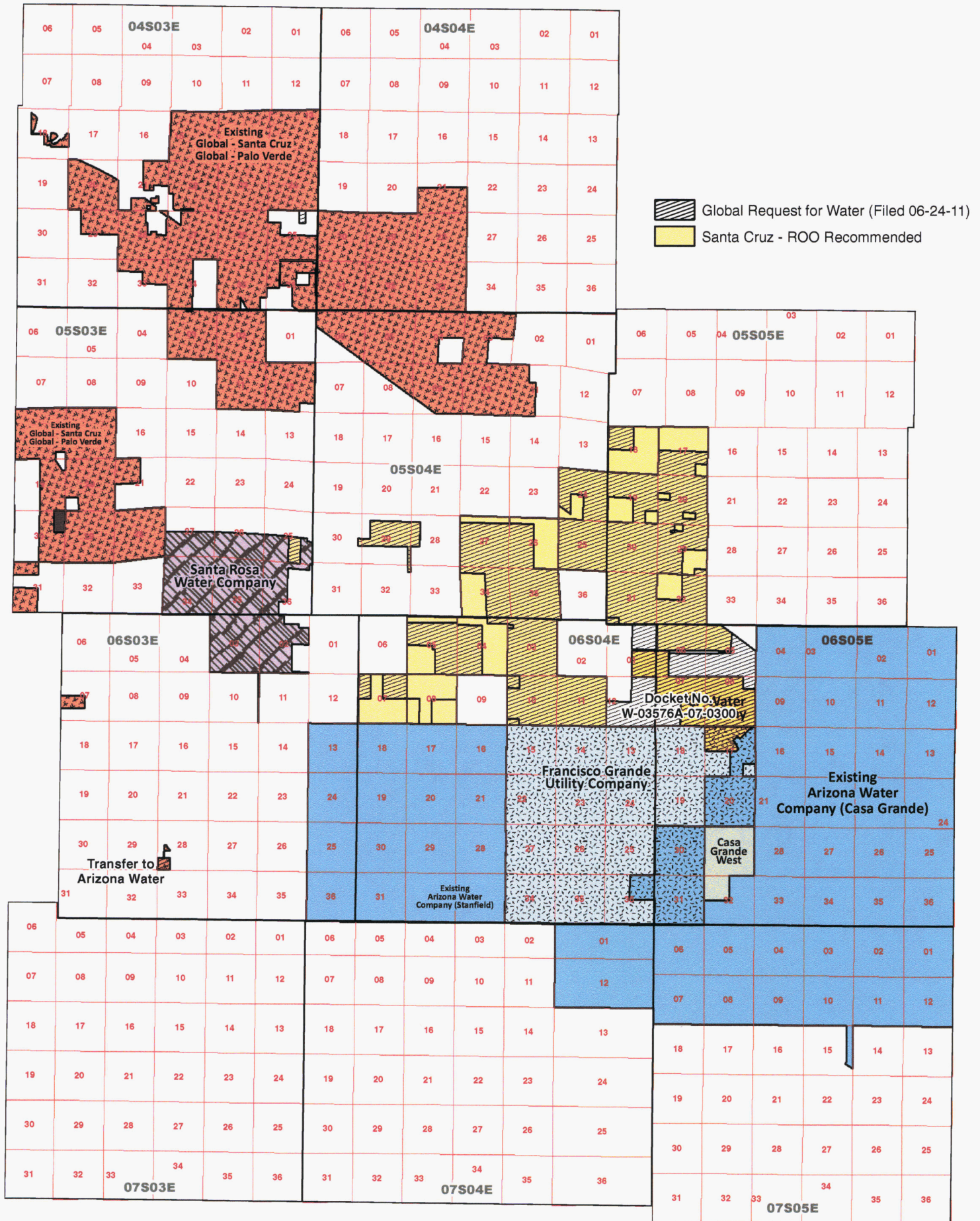
# CLARIFICATION OF GLOBAL REQUESTED AREA FOR WATER



**ROO RECOMMENDED AND COMPANY REQUESTED**



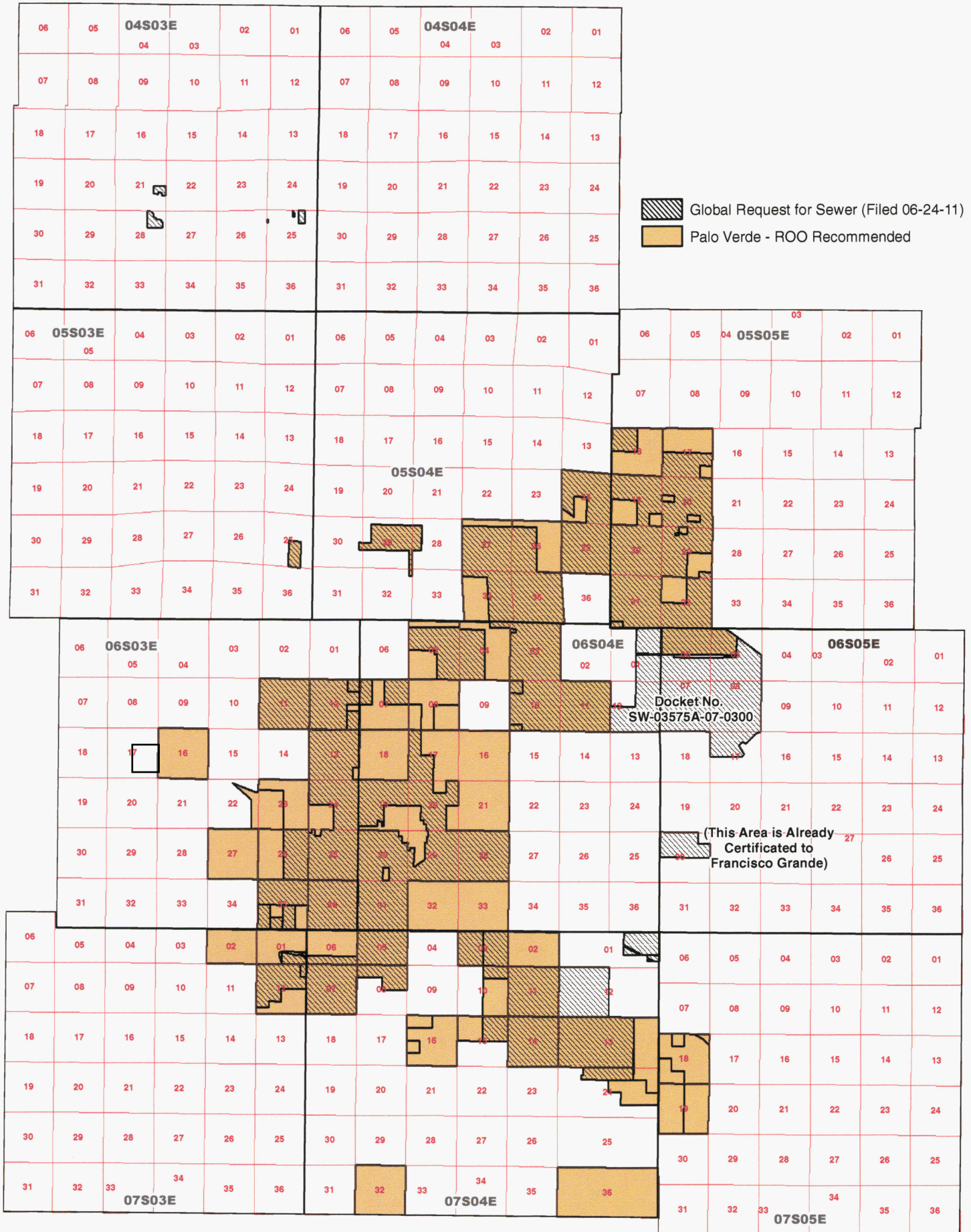
# CLARIFICATION OF GLOBAL REQUESTED AREA FOR WATER



**ROO RECOMMENDED AND COMPANY REQUESTED**



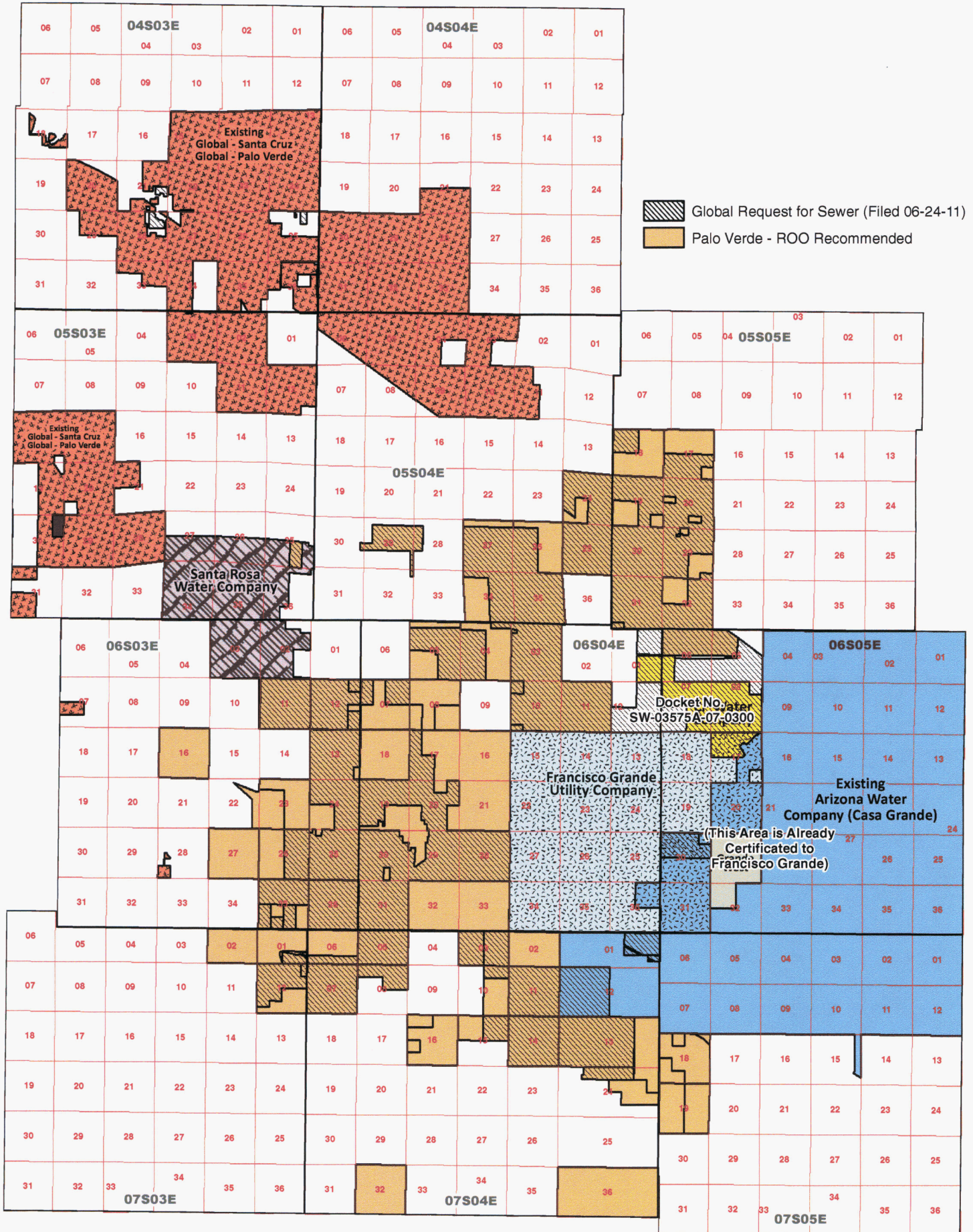
# CLARIFICATION OF GLOBAL REQUESTED AREA FOR SEWER



**ROO RECOMMENDED AND COMPANY REQUESTED**



# CLARIFICATION OF GLOBAL REQUESTED AREA FOR SEWER



## ROO RECOMMENDED AND COMPANY REQUESTED